

Charter Township of Independence Oakland County, Michigan

**Financial Report
with Supplemental Information
December 31, 2003**

Charter Township of Independence

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Charter Township of Independence

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Independent Auditor's Report

To the Honorable Members of the Township Board
Charter Township of Independence
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Independence as of and for the year ended December 31, 2003, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Independence as of December 31, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements also do not include a management's discussion and analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

To the Honorable Members of the Township Board
Charter Township of Independence
Oakland County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Independence's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 13, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2002.

Plante & Moran, PLLC

June 25, 2004

Charter Township of Independence

Statement of Net Assets December 31, 2003

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit - Downtown Development Authority
Assets				
Cash and investments (Note 3)	\$ 12,370,837	\$ 9,830,854	\$ 22,201,691	\$ 93,701
Receivables - Net:				
Property taxes	5,450,221	-	5,450,221	-
Customers	-	871,400	871,400	-
Special assessments and other	2,224,620	67,761	2,292,381	-
Due from other governmental units	490,181	-	490,181	-
Other	136,436	520	136,956	-
Internal balances	137,248	(137,248)	-	-
Restricted assets (Note 9)	-	1,318,030	1,318,030	-
Capital assets - Net (Note 5)	16,272,209	41,001,823	57,274,032	-
Total assets	37,081,752	52,953,140	90,034,892	93,701
Liabilities				
Accounts payable	737,556	540,968	1,278,524	1,969
Due to other governmental units	7,987	-	7,987	-
Accrued and other liabilities	246,491	102,803	349,294	-
Deferred revenue (Note 7)	10,935,890	-	10,935,890	-
Due to primary government	-	-	-	46
Liabilities payable from restricted assets	-	83,037	83,037	-
Noncurrent liabilities (Note 8):				
Due within one year	783,465	-	783,465	-
Due in more than one year	1,669,581	81,444	1,751,025	-
Total liabilities	14,380,970	808,252	15,189,222	2,015
Net Assets				
Invested in capital assets - Net of related debt	14,029,601	40,837,342	54,866,943	-
Restricted:				
Police and Fire Millage	3,155,623	-	3,155,623	-
Library	952,355	-	952,355	-
Safety Paths Millage	937,012	-	937,012	-
Community Development Block Grant	3,197	1,234,993	1,238,190	-
Capital Project Funds	716,891	-	716,891	-
Unrestricted	2,906,103	10,072,553	12,978,656	91,686
Total net assets	<u>\$ 22,700,782</u>	<u>\$ 52,144,888</u>	<u>\$ 74,845,670</u>	<u>\$ 91,686</u>

Charter Township of Independence

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,983,376	\$ 68,508	\$ 101,107	\$ -
Public safety	6,981,415	1,084,068	-	-
Public works	626,329	27,884	-	267,668
Public services	1,446,412	1,222,418	64,867	-
Health and welfare	61,780	76,886	-	-
Recreation and culture	3,468,006	901,514	28,444	-
Interest on long-term debt	140,257	-	-	-
Total governmental activities	15,707,575	3,381,278	194,418	267,668
Business-type activities:				
Water	2,534,709	1,956,311	50,000	1,103,055
Sewer	3,137,078	1,949,176	-	1,114,646
Total business-type activities	5,671,787	3,905,487	50,000	2,217,701
Total primary government	<u>\$ 21,379,362</u>	<u>\$ 7,286,765</u>	<u>\$ 244,418</u>	<u>\$ 2,485,369</u>
Component unit - Downtown Development Authority				
	<u>\$ 34,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2003

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
			Unit -
			Downtown
Governmental	Business-type		Development
Activities	Activities	Total	Authority
\$ (2,813,761)	\$ -	\$ (2,813,761)	\$ -
(5,897,347)	-	(5,897,347)	-
(330,777)	-	(330,777)	-
(159,127)	-	(159,127)	-
15,106	-	15,106	-
(2,538,048)	-	(2,538,048)	-
(140,257)	-	(140,257)	-
(11,864,211)	-	(11,864,211)	-
-	574,657	574,657	-
-	(73,256)	(73,256)	-
-	501,401	501,401	-
(11,864,211)	501,401	(11,362,810)	-
-	-	-	(34,712)
8,699,751	-	8,699,751	-
2,642,400	-	2,642,400	-
450,275	255,640	705,915	2,374
337,183	-	337,183	-
24,683	-	24,683	17,220
12,154,292	255,640	12,409,932	19,594
290,081	757,041	1,047,122	(15,118)
22,410,701	51,387,847	73,798,548	106,804
\$ 22,700,782	\$ 52,144,888	\$ 74,845,670	\$ 91,686

Charter Township of Independence

	General	Police Millage	Fire Millage	Library
Assets				
Cash and investments	\$ 1,085,212	\$ 3,087,491	\$ 3,676,297	\$ 1,442,513
Receivables - Net:				
Property taxes	787,405	1,587,644	2,042,895	534,003
Due from other governments	467,654	-	-	-
Special assessments and other	431,980	-	135,044	-
Due from other funds	1,201,736	5,932	-	-
Total assets	<u>\$ 3,973,987</u>	<u>\$ 4,681,067</u>	<u>\$ 5,854,236</u>	<u>\$ 1,976,516</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 273,633	\$ 319,441	\$ 61,232	\$ 9,751
Due to other governmental units	7,987	-	-	-
Accrued and other liabilities	27,597	919	173,711	9,210
Due to other funds	68,551	40,753	54,952	15,508
Deferred revenue	1,438,809	2,942,465	3,921,617	1,213,554
Total liabilities	1,816,577	3,303,578	4,211,512	1,248,023
Fund Balances				
Reserved for:				
Library books	-	-	-	190,610
Debt service	-	-	-	-
Cemetery care	-	-	-	-
Unreserved, reported in:				
General Fund	2,157,410	-	-	-
Special Revenue Funds	-	1,377,489	1,642,724	537,883
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Total fund balances	<u>2,157,410</u>	<u>1,377,489</u>	<u>1,642,724</u>	<u>728,493</u>
Total liabilities and fund balances	<u>\$ 3,973,987</u>	<u>\$ 4,681,067</u>	<u>\$ 5,854,236</u>	<u>\$ 1,976,516</u>

**Governmental Funds
Balance Sheet
December 31, 2003**

Parks and Recreation	Safety Paths Millage	Other Governmental Funds	Total Governmental Funds
\$ 545,316	\$ 1,196,490	\$ 1,337,518	\$ 12,370,837
-	294,117	132,453	5,378,517
-	-	22,527	490,181
-	-	1,657,596	2,224,620
29,973	-	68,551	1,306,192
\$ 575,289	\$ 1,490,607	\$ 3,218,645	\$ 21,770,347
\$ 43,584	\$ 5,614	\$ 24,301	\$ 737,556
-	-	-	7,987
15,367	1,391	153	228,348
27,369	1,489	960,322	1,168,944
-	545,101	1,657,545	11,719,091
86,320	553,595	2,642,321	13,861,926
-	-	-	190,610
-	-	259,820	259,820
-	-	433,491	433,491
-	-	-	2,157,410
488,969	937,012	235,670	5,219,747
-	-	(638,699)	(638,699)
-	-	286,042	286,042
488,969	937,012	576,324	7,908,421
\$ 575,289	\$ 1,490,607	\$ 3,218,645	\$ 21,770,347

Charter Township of Independence

Governmental Funds Reconciliation of Governmental Fund Balances to Net Assets December 31, 2003

Fund Balances - Total Governmental Funds	\$ 7,908,421
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	16,272,209
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Long-term liabilities and related accrued interest expense are not due and payable in the current period and are not reported in the funds	(2,260,751)
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Compensated absences and uninsured claims are included as a liability in governmental activities	(210,438)
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Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures	783,201
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Delinquent personal property taxes are not recognized as revenue in the funds until received; the government-wide statements recognize an estimate of the amount that will be ultimately collected	71,704
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Expenses are normally expensed when paid in the funds; the government-wide statements allocate prepaid expenses over future periods	<u>136,436</u>
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Net Assets of Governmental Activities	<u>\$ 22,700,782</u>
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Charter Township of Independence

	General	Police Millage	Fire Millage	Library
Revenue				
Property taxes	\$ 1,325,541	\$ 2,192,439	\$ 3,648,391	\$ 939,599
Licenses and permits	1,127,479	-	-	-
Federal grants	-	-	-	-
State-shared and other grants	2,719,567	21,024	-	28,444
Charges for services	117,296	450,390	537,133	33,163
Fines and forfeitures	-	64,293	2,018	71,510
Special assessments	23,940	-	-	-
Interest and rentals	241,991	51,056	59,078	24,025
Other	616,821	-	7,795	255
Total revenue	6,172,635	2,779,202	4,254,415	1,096,996
Expenditures				
Current:				
General government	2,889,940	-	-	-
Public safety	-	3,058,145	3,439,944	-
Public works	-	-	-	-
Public services	1,361,824	-	-	-
Recreation and culture	94	-	-	1,096,923
Capital outlay	28,710	-	19,625	-
Debt service	-	-	210,892	-
Total expenditures	4,280,568	3,058,145	3,670,461	1,096,923
Excess of Revenue Over (Under) Expenditures	1,892,067	(278,943)	583,954	73
Other Financing Sources (Uses)				
Transfers in	100,000	-	-	130,000
Transfers out	(2,153,704)	(59,800)	(293,434)	-
Sales of capital assets	240	-	2,350	-
Total other financing sources (uses)	(2,053,464)	(59,800)	(291,084)	130,000
Net Change in Fund Balances	(161,397)	(338,743)	292,870	130,073
Fund Balances - Beginning of year	2,318,807	1,716,232	1,349,854	598,420
Fund Balances - End of year	<u>\$ 2,157,410</u>	<u>\$ 1,377,489</u>	<u>\$ 1,642,724</u>	<u>\$ 728,493</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2003

Parks and Recreation	Safety Paths Millage	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 525,251	\$ -	\$ 8,631,221
-	-	-	1,127,479
-	-	67,501	67,501
-	-	-	2,769,035
853,748	5,000	-	1,996,730
-	-	-	137,821
-	-	424,215	448,155
10,436	20,781	64,079	471,446
-	-	35,311	660,182
864,184	551,032	591,106	16,309,570
-	-	-	2,889,940
-	-	-	6,498,089
-	357,541	8,619	366,160
-	-	64,867	1,426,691
2,082,481	-	29,317	3,208,815
-	-	1,249,397	1,297,732
-	-	668,812	879,704
2,082,481	357,541	2,021,012	16,567,131
(1,218,297)	193,491	(1,429,906)	(257,561)
1,489,338	-	931,514	2,650,852
(43,914)	-	(100,000)	(2,650,852)
-	-	-	2,590
1,445,424	-	831,514	2,590
227,127	193,491	(598,392)	(254,971)
261,842	743,521	1,174,716	8,163,392
<u>\$ 488,969</u>	<u>\$ 937,012</u>	<u>\$ 576,324</u>	<u>\$ 7,908,421</u>

Charter Township of Independence

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (254,971)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 23,034

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (166,172)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) (51,452)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 739,449

Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities 193

Change in Net Assets of Governmental Activities \$ 290,081

Charter Township of Independence

Proprietary Funds Statement of Net Assets December 31, 2003

	Water	Sewer	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,491,327	\$ 4,339,527	\$ 9,830,854
Receivables:			
Customer usage	371,129	500,271	871,400
Special assessments and other	68,281	-	68,281
Due from other funds	48,094	-	48,094
Total current assets	5,978,831	4,839,798	10,818,629
Noncurrent assets:			
Restricted assets	-	1,318,030	1,318,030
Capital assets	19,892,736	21,109,087	41,001,823
Total noncurrent assets	19,892,736	22,427,117	42,319,853
Total assets	25,871,567	27,266,915	53,138,482
Liabilities			
Current liabilities:			
Accounts payable	186,420	354,548	540,968
Accrued and other liabilities	8,548	94,255	102,803
Due to other funds	65,715	119,627	185,342
Liabilities payable from restricted assets	-	83,037	83,037
Total current liabilities	260,683	651,467	912,150
Noncurrent liabilities - Long-term debt -			
Net of current portion	-	81,444	81,444
Total liabilities	260,683	732,911	993,594
Net Assets			
Investment in capital assets - Net of related debt	19,892,736	20,944,606	40,837,342
Restricted	-	1,234,993	1,234,993
Unrestricted	5,718,148	4,354,405	10,072,553
Total net assets	<u>\$ 25,610,884</u>	<u>\$ 26,534,004</u>	<u>\$ 52,144,888</u>

Charter Township of Independence

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2003

	Water	Sewer	Total
Operating Revenue			
Customer usage charges	\$ 1,643,140	\$ 1,832,920	\$ 3,476,060
Meters and installation charges	248,475	-	248,475
Other services and charges	64,696	116,256	180,952
Total operating revenue	1,956,311	1,949,176	3,905,487
Operating Expenses			
Cost of sewage treatment	-	1,276,464	1,276,464
Personnel services	430,567	451,450	882,017
Supplies	34,801	59,007	93,808
Depreciation	790,116	982,247	1,772,363
Other services and charges	1,279,225	359,830	1,639,055
Total operating expenses	2,534,709	3,128,998	5,663,707
Operating Loss	(578,398)	(1,179,822)	(1,758,220)
Nonoperating Revenue (Expenses)			
Investment income	121,646	133,994	255,640
County grant	50,000	-	50,000
Interest expense	-	(8,080)	(8,080)
Loss - Before contributions	(406,752)	(1,053,908)	(1,460,660)
Capital Contributions			
Special assessments	-	27,900	27,900
Capital charge/Tap-in fees	268,065	208,156	476,221
Lines constructed by developers	834,990	878,590	1,713,580
Total capital contributions	1,103,055	1,114,646	2,217,701
Change in Net Assets	696,303	60,738	757,041
Net Assets - Beginning of year	24,914,581	26,473,266	51,387,847
Net Assets - End of year	<u>\$ 25,610,884</u>	<u>\$ 26,534,004</u>	<u>\$ 52,144,888</u>

Charter Township of Independence

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2003

	Water	Sewer	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,927,964	\$ 1,905,671	\$ 3,833,635
Payments to suppliers	(1,191,880)	(1,679,834)	(2,871,714)
Payments to employees	(434,073)	(440,329)	(874,402)
Net cash provided by (used in) operating activities	302,011	(214,492)	87,519
Cash Flows from Capital and Related Financing Activities			
Collection of customer assessments (principal and interest)	279,824	285,341	565,165
County grant funds	50,000	-	50,000
Purchase of capital assets	(233,205)	(26,501)	(259,706)
Principal and interest paid on capital debt	-	(97,857)	(97,857)
Net cash provided by capital and related financing activities	96,619	160,983	257,602
Cash Flows from Investing Activities - Interest received on investments	121,646	133,994	255,640
Net Increase in Cash and Cash Equivalents	520,276	80,485	600,761
Cash and Cash Equivalents - Beginning of year	4,971,051	5,504,918	10,475,969
Cash and Cash Equivalents - End of year	<u><u>\$ 5,491,327</u></u>	<u><u>\$ 5,585,403</u></u>	<u><u>\$ 11,076,730</u></u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 5,491,327	\$ 4,339,527	\$ 9,830,854
Restricted cash and cash equivalents	-	1,245,876	1,245,876
Total cash and cash equivalents	<u><u>\$ 5,491,327</u></u>	<u><u>\$ 5,585,403</u></u>	<u><u>\$ 11,076,730</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (578,398)	\$ (1,179,822)	\$ (1,758,220)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	790,116	982,247	1,772,363
Changes in assets and liabilities:			
Receivables	(28,347)	(43,505)	(71,852)
Accounts payable	122,146	15,467	137,613
Accrued and other liabilities	(3,506)	11,121	7,615
Net cash provided by (used in) operating activities	<u><u>\$ 302,011</u></u>	<u><u>\$ (214,492)</u></u>	<u><u>\$ 87,519</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended December 31, 2003, the Water and Sewer Funds received \$1,713,580 of lines donated by a developer.

Charter Township of Independence

Fiduciary Funds Statement of Assets and Liabilities December 31, 2003

Assets

Cash and cash equivalents	\$ 3,649,179
Delinquent taxes receivable	<u>113,793</u>

Total assets	<u>\$ 3,762,972</u>
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Liabilities

Accrued and other liabilities	\$ 70,477
Due to other governmental units	2,566,986
Cash bonds and deposits	<u>1,125,509</u>

Total liabilities	<u>\$ 3,762,972</u>
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Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note I - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Independence (the “Township”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Independence:

Reporting Entity

The Charter Township of Independence is governed by an elected seven-member Board of Trustees. The accompanying financial statements present the Township and its component unit, an entity for which the Township is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Discretely Presented Component Units - The Downtown Development Authority (the “DDA”) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA’s governing body, which consists of nine individuals, is selected by the Township Board. In addition, the DDA’s budget is subject to approval by the Township Board. The DDA’s ability to levy taxes lapsed in 1996. In 1997, the Township Board decided not to extend the life of the DDA. The remaining assets of the DDA have been earmarked for various projects still outstanding.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a certain legally separate component unit for which the primary government is financially accountable.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

Police Millage Fund - The Police Millage Fund accounts for all financial resources of public safety. Activities are financed through a dedicated millage and other sources.

Fire Millage Fund - The Fire Millage Fund accounts for all financial resources of the fire department. Activities are financed through a dedicated millage and other sources.

Library Fund - The Library Fund accounts for all financial resources of the library. Activities are financed through a dedicated millage and other sources.

Parks and Recreation Fund - The Parks and Recreation Fund accounts for all financial resources of the Parks and Recreation Department. Activities are financed through service charges and General Fund contributions.

Safety Paths Millage Fund - The Safety Paths Millage Fund accounts for finances related to the construction and maintenance of sidewalks and pathways. Activities are funded through a dedicated millage and other sources.

The Township reports the following major proprietary funds:

Water and Sewer Funds - The Water and Sewer Funds are used to account for the provision of water and sewer services to the residents of the Township financed primarily by user charges. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, billings, and collections.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following fund types:

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Properties are assessed as of December 31. The related property taxes become a lien on December 1 of the following year and are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at December 31.

The 2002 taxable valuation of the Township totaled \$1.255 billion. The taxes levied and the resulting revenue by fund was as follows:

	Millage Rate	Revenue
Operating millage (General Fund)	1.0249	\$ 1,325,541
Special Revenue Funds:		
Fire Millage - Operations and Advanced Life Support	2.9122	3,648,391
Library Operating	0.7500	939,599
Police Millage - Operations	1.7500	2,192,439
Safety Paths Millage - Construction	0.4193	525,251
Total	<u>6.8564</u>	<u>8,631,221</u>
Other - Tax collection and trailer park fees		<u>68,530</u>
Total		<u>\$ 8,699,751</u>

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Township ordinance and county contracts require amounts to be set aside in the Enterprise Funds for construction and debt service principal and interest. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Charter Township of Independence's water and sewer lines.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15-20 years
Safety paths	20 years
Buildings and building improvements	20-30 years
Library books	10 years
Machinery and equipment, including leased equipment	3-10 years
Office equipment	3-7 years
Vehicles	3-20 years
Utility systems	40 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following is a summary of the unreserved fund balances of certain governmental funds with management's designations:

General Fund:	
Facilities	\$ 300,000
Road improvements	600,000
Sashabaw and Maybee Road improvements	<u>300,000</u>
Total General Fund designations	<u>\$ 1,200,000</u>
Safety Paths Millage Fund	<u>\$ 278,800</u>

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 2 - Stewardship, Compliance and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall - December 31, 2002		\$ (253,342)
Current year building permit revenue	\$ 635,939	
Related expenses - Direct costs	<u>(585,094)</u>	<u>50,845</u>
Cumulative shortfall - December 31, 2003		<u><u>\$ (202,497)</u></u>

Fund Deficits - The Township has accumulated fund deficits in the following individual funds: The Capital Projects Fund, the Curtis Lane Capital Projects Fund, the Cranberry Pointe Lights Capital Projects Fund, the Sashabaw Road Capital Projects Fund, the Sashabaw Drain Capital Projects Fund, the Sashabaw Drain Debt Service Fund, and the Simler Drive Capital Projects Fund. The deficits will be funded primarily by special assessment collections and operating transfers from other funds.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; bankers' acceptances of United States banks; commercial paper rated within the highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments (Continued)

The Charter Township of Independence's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Investments	Restricted Cash	Total
Governmental activities	\$ 12,370,837	\$ -	\$ 12,370,837
Business-type activities	9,830,854	1,245,876	11,076,730
Fiduciary funds	3,649,179	-	3,649,179
Total primary government	<u>\$ 25,850,870</u>	<u>\$ 1,245,876</u>	<u>\$ 27,096,746</u>
Component unit	<u>\$ 93,701</u>	<u>\$ -</u>	<u>\$ 93,701</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 9,001,774	\$ 93,701
Investments in securities, mutual funds, and similar vehicles	18,092,010	-
Petty cash or cash on hand	2,962	-
Total	<u>\$ 27,096,746</u>	<u>\$ 93,701</u>

Charter Township of Independence

**Notes to Financial Statements
December 31, 2003**

Note 3 - Deposits and Investments (Continued)

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$9,561,000. Of this amount, approximately \$800,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The component unit cash and cash equivalents consist solely of deposits reflected in the accounts of the bank of \$93,701, which was fully insured.

Investments

The Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds and investment pools that are composed of authorized investment vehicles.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Township or its agent in the Township's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 3 - Deposits and Investments (Continued)

At year end, the Township's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
U.S. Treasury bonds and notes	\$ -	\$ 6,105,012	\$ -	\$ 6,105,012
U.S. Treasury strips	-	118,723	-	118,723
U.S. government agency bonds and notes	-	10,233,093	-	10,233,093
U.S. government agency mortgage-backed securities	-	292,395	-	292,395
Commercial paper	-	1,300,000	-	1,300,000
Subtotal	<u>\$ -</u>	<u>\$ 18,049,223</u>	<u>\$ -</u>	<u>18,049,223</u>
Investments not subject to categorization - Mutual funds				<u>42,787</u>
Total primary government				<u>\$ 18,092,010</u>

Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC.

Note 4 - Defined Contribution Retirement Plan

The Township provides a defined contribution pension plan to all of its full-time employees, excluding full-time employees of the fire department, who have elected to be covered under the Michigan Municipal Employees' Retirement System (MMERS). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes up to 10 percent of employees' gross earnings. Employees with less than six years of service are required to contribute a portion of the 10 percent contribution. In accordance with these requirements, the Township contributed approximately \$236,000 and the employee contributions were immaterial.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2003	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2003
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 1,153,326	\$ -	\$ -	\$ -	\$ 1,153,326
Development rights	1,000,000	-	-	-	1,000,000
Construction in progress	-	-	832,134	-	832,134
Subtotal	2,153,326	-	832,134	-	2,985,460
Capital assets being depreciated:					
Safety paths	6,479,798	-	-	-	6,479,798
Buildings and improvements	8,079,036	-	302,491	-	8,381,527
Land improvements	2,992,627	-	-	-	2,992,627
Vehicles	2,704,347	766,017	45,213	-	3,515,577
Office equipment	967,551	448,264	20,581	-	1,436,396
Leased equipment	32,519	-	-	-	32,519
Library books	1,909,987	-	183,611	-	2,093,598
Machinery and equipment	2,658,567	196,334	7,924	-	2,862,825
Subtotal	25,824,432	1,410,615	559,820	-	27,794,867
Accumulated depreciation:					
Sidewalks	2,968,375	-	299,290	-	3,267,665
Buildings and improvements	2,592,281	-	290,682	-	2,882,963
Land improvements	1,599,445	-	149,631	-	1,749,076
Vehicles	784,260	727,604	178,685	-	1,690,549
Office equipment	782,181	426,673	104,644	-	1,313,498
Books	975,169	-	172,154	-	1,147,323
Machinery and equipment	2,086,877	196,334	173,833	-	2,457,044
Subtotal	11,788,588	1,350,611	1,368,919	-	14,508,118
Net capital assets being depreciated	14,035,844	60,004	(809,099)	-	13,286,749
Net capital assets	\$ 16,189,170	\$ 60,004	\$ 23,035	\$ -	\$ 16,272,209

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2003	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2003
Capital assets not being depreciated -					
Land	\$ 96,265	\$ -	\$ -	\$ -	\$ 96,265
Capital assets being depreciated:					
Utility system	62,379,762	-	1,922,489	-	64,302,251
Buildings and building improvements	1,104,015	-	-	-	1,104,015
Vehicles	1,137,228	-	24,297	-	1,161,525
Office equipment	73,664	-	-	-	73,664
Machinery and equipment	567,448	-	26,500	-	593,948
Subtotal	65,262,117	-	1,973,286	-	67,235,403
Accumulated depreciation:					
Utility system	22,871,296	-	1,623,506	-	24,494,802
Buildings and building improvements	599,546	-	39,295	-	638,841
Vehicles	283,670	-	30,843	-	314,513
Office equipment	60,157	-	3,937	-	64,094
Machinery and equipment	742,813	-	74,782	-	817,595
Subtotal	24,557,482	-	1,772,363	-	26,329,845
Net capital assets being depreciated	40,704,635	-	200,923	-	40,905,558
Net capital assets	\$ 40,800,900	\$ -	\$ 200,923	\$ -	\$ 41,001,823

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 242,657
Public safety	324,044
Public works	11,176
Public services	14,202
Recreation and culture	<u>776,840</u>

Total governmental activities	<u>\$ 1,368,919</u>
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Business-type activities:

Water	\$ 790,116
Sewer	<u>982,247</u>

Total business-type activities	<u>\$ 1,772,363</u>
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Construction Commitments - The Township has an active construction project with a total commitment of approximately \$1,320,000, of which \$832,134 has been spent to date to construct a sewage drainage system on Sashabaw Road.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Police Millage Fund	\$ 40,753
General Fund	Fire Millage Fund	54,952
General Fund	Library	15,508
General Fund	Parks and Recreation	27,369
General Fund	Safety Paths Millage	1,489
General Fund	Water Fund	65,715
General Fund	Sewer Fund	71,533
General Fund	Sashabaw paving	56,126
General Fund	Deerwood 8 & 9	13,732
General Fund	Deerwood Manor	78,111
General Fund	Woodhull	45,110
General Fund	Flemings Lake	505,535
General Fund	Simler Drive	42,985
General Fund	Sashabaw drain	182,817
Police Millage Fund	CDBG	5,932
Parks and Recreation	CDBG	29,973
Water Fund	Sewer Fund	48,094
Cemetery	General Fund	68,391
Other governmental funds	General Fund	161
Total		<u>\$ 1,354,286</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Parks and Recreation Fund	\$ 1,489,338
General Fund	Library Fund	130,000
General Fund	Cable Television Fund	40,000
General Fund	General Debt Service Fund	65,000
General Fund	Flemings Lake	385,366
General Fund	Thendara Fund	44,000
Police Millage Fund	General Debt Service Fund	59,800
Fire Millage Fund	General Debt Service Fund	235,000
Fire Millage Fund	Fire Remodeling Fund	40,180
Fire Millage Fund	Pension Stabilization Fund	18,254
Parks and Recreation Fund	General Debt Service Fund	38,565
Parks and Recreation Fund	Community Development Block Grant	5,349
Capital Projects Fund	General Fund	100,000
Total		<u>\$ 2,650,852</u>

Transfers between the various funds represent payment from one fund to another without an equivalent return of goods or services to fund operations and projects accounted for in the respective funds.

Note 7 - Deferred Revenue

Deferred revenue at December 31, 2003 consisted of the following:

	Unavailable	Unearned
Property taxes	\$ -	\$ 9,702,025
Special assessments	423,679	1,233,865
Library contributions	190,610	-
Clarkston fire contribution	135,410	-
Clarkston Library contribution	33,252	-
Other	250	-
Total	<u>\$ 783,201</u>	<u>\$ 10,935,890</u>

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 8 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Special assessment bonds:						
Eastview/Westview Bond Series 1988-A: Amount of issue: \$150,000 Maturing through: 2003	7.65%	\$10,000	\$ 10,000	\$ (10,000)	\$ -	\$ -
Thendara Park Bond Series 1990-B: Amount of issue: \$2,385,000 Maturing through: 2004	7.10%	\$150,000- \$155,000	305,000	(155,000)	150,000	150,000
Rohr Road Bond Series 1990-A: Amount of issue: \$41,307 Maturing through: 2005	8.00%	\$2,015- \$3,022	7,052	(3,022)	4,030	2,015
Bow Pointe Bond Issue Series 1996-B: Amount of issue: \$490,000 Maturing through: 2010	5.0% to 5.60%	\$35,000- \$40,000	300,000	(35,000)	265,000	35,000
Townsend Lake Bond Issue Series 1998-A: Amount of issue: \$375,000 Maturing through: 2013	4.0% to 4.85%	\$25,000- \$30,000	300,000	(25,000)	275,000	25,000
Total special assessment bonds			922,052	(228,022)	694,030	212,015

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 8 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities (Continued)						
Installment purchase agreements:						
Fire Station Building and Land:		\$250,000-				
	5.45%	\$280,000	\$ 805,000	\$ (250,000)	\$ 555,000	\$ 265,000
Amount of issue: \$2,250,000						
Maturing through: 2005						
Sashabaw Road:		\$55,500-				
	6.75%	\$85,247	140,747	(55,500)	85,247	85,247
Amount of issue: \$480,215						
Maturing through: 2004						
Baycourt Building:	5.29%	\$23,180	69,536	(23,180)	46,356	23,180
Amount of issue: \$231,796						
Maturing through: 2005						
Baycourt Exterior Decks:	5.29%	\$8,650	25,950	(8,650)	17,300	8,650
Amount of issue: \$86,500						
Maturing through: 2005						
Total installment purchase agreements			1,041,233	(337,330)	703,903	382,077
General obligation bonds:						
Firststar Leasing Services Corp.:		\$102,980 -				
	4.79%	\$198,790	1,009,175	(164,500)	844,675	172,473
Amount of issue: \$1,700,000						
Maturing through: 2008						
Total general obligation bonds, installment purchase agreements, and special assessment bonds			2,972,460	(729,852)	2,242,608	766,565
Other long-term obligations -						
Accumulated employee benefits			195,879	14,559	210,438	16,900
Total governmental activities			3,168,339	(715,293)	2,453,046	783,465
Business-type Activities						
Special assessment bonds:						
Green Acres Sewer bond Series 1990-A:		\$6,444 -				
	8.23%	\$11,977	24,865	(11,977)	12,888	6,444
Amount of issue: \$163,693						
Maturing through: 2005						
Cranberry Lake Sewer Bond Series 1996-A:	4.70% to					
	4.90%	\$75,000	225,000	(75,000)	150,000	75,000
Amount of issue: \$710,000						
Maturing through: 2005						
Total business-type activities			249,865	(86,977)	162,888	81,444
Total governmental activities and business-type activities			\$ 3,418,204	\$ (802,270)	\$ 2,615,934	\$ 864,909

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 8 - Long-term Debt (Continued)

The General Long-term Debt Account Group special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of improvements. At December 31, 2003, the Township has \$256,573 set aside in Debt Service Funds for repayment of these bonds. In addition, there is \$1,261,016 of special assessments receivable in the future; the amount of receivables delinquent at December 31, 2003 is not significant.

The Township has pledged its full faith and credit for the Enterprise Fund contractual obligations with the county. These obligations are collateralized primarily by certain sewer special assessments. At December 31, 2003, the Township has \$1,318,030 set aside as restricted assets in the Enterprise Funds for repayment of these contractual obligations, Enterprise Fund special assessment bonds, and construction projects. These restricted assets include \$138,902 of special assessments receivable in the future; the amount of Enterprise Fund receivables delinquent at December 31, 2003 is not significant. Enterprise Fund debt of \$162,888 includes \$81,444 of current liabilities payable from restricted assets (see Note 9).

Debt Service Requirements

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 766,565	\$ 116,765	\$ 883,330	\$ 81,444	\$ 6,789	\$ 88,233
2005	564,675	69,284	633,959	81,444	3,152	84,596
2006	249,598	40,573	290,171	-	-	-
2007	263,790	28,356	292,146	-	-	-
2008	167,980	15,505	183,485	-	-	-
2009-2013	230,000	24,335	254,335	-	-	-
Total	<u>\$ 2,242,608</u>	<u>\$ 294,818</u>	<u>\$ 2,537,426</u>	<u>\$ 162,888</u>	<u>\$ 9,941</u>	<u>\$ 172,829</u>

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 9 - Restricted Assets

Specific assets of the Sewer Disposal System Fund have been restricted for debt service and construction projects by Township ordinance and county contracts. Following is the detail of restricted assets as December 31, 2003:

Cash and investments	\$ 1,245,876
Accounts receivable - Special assessments	<u>72,154</u>
Total Sewer Fund restricted assets	1,318,030
Less current liabilities payable from restricted assets *	<u>(83,037)</u>
Total restricted assets - Net	<u>\$ 1,234,993</u>

* The current liabilities in the Sewer Disposal System Fund payable from restricted assets represent accrued interest payable on long-term debt of \$1,593 and current portion of long-term debt of \$81,444.

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general liability and property, unemployment compensation, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 11 - Defined Benefit Pension Plan

Plan Description

The Township contributes to the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers only full-time fire employees of the Township. The System provides retirement benefits, as well as death and disability benefits. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the System for these employees was established by negotiation with the Township's collective bargaining units and requires contributions from the employees of the Township.

Annual Pension Cost

For the year ended December 31, 2003, the Township's annual pension cost of \$125,475 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using an entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) an additional projected salary increase of 0 percent to 4.16 percent per year, attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 33 years.

	Fiscal Year Ended December 31		
	1999	2000	2001
Annual pension costs (APC)	\$ 70,648	\$ 102,277	\$ 125,475
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Charter Township of Independence

Notes to Financial Statements December 31, 2003

Note 12 - Subsequent Events

Subsequent to year end, the Township Board approved phase one of a water system improvement for a total cost not to exceed \$19,150,000. This project will be funded by State Revolving Fund General Obligation Limited Tax Bonds in the amount of \$16,800,000, with the remaining \$2,350,000 funded by the Water Fund.

Note 13 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Charter Township of Independence has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Township has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (sidewalks, bridges, etc.)
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (sidewalks, bridges, etc.) of approximately \$6,480,000 not previously accounted for by the Township as well as assets totaling approximately \$24,301,000 that would previously have been reported in the General Fixed Assets Account Group.
- The governmental activities column includes bonds and other long-term obligations totaling \$2,453,046 previously reported in the General Long-term Debt Account Group.

Required Supplemental Information

Charter Township of Independence

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,285,000	\$ 1,285,000	\$ 1,325,541	\$ 40,541
Licenses and permits	619,300	619,300	1,127,479	508,179
State-shared revenue	2,876,000	2,876,000	2,719,567	(156,433)
Charges for services	247,570	247,570	20,416	(227,154)
Interest earnings and rent	120,000	120,000	241,991	121,991
Other	416,846	416,846	641,001	224,155
Charges to other funds	196,880	196,880	196,880	-
Total revenue	5,761,596	5,761,596	6,272,875	511,279
Expenditures				
General government:				
Township Board	402,470	402,470	777,429	(374,959)
Supervisor	246,014	246,014	249,738	(3,724)
Elections	91,920	91,920	61,725	30,195
Assessing	435,490	435,490	401,090	34,400
Legal	150,000	150,000	247,107	(97,107)
Clerk	413,200	413,200	401,056	12,144
Board of Review	4,800	4,800	6,940	(2,140)
Treasurer	304,839	304,839	289,151	15,688
Data processing	112,030	112,030	89,899	22,131
Township Hall	168,050	168,050	139,952	28,098
Facilities maintenance	440,948	440,948	185,941	255,007
Fringe benefits	50,001	50,001	61,600	(11,599)
Public services:				
Cemetery	98,675	98,675	123,207	(24,532)
Building	989,472	989,472	1,170,675	(181,203)
Street lights	75,000	75,000	75,058	(58)
Drains	10,000	10,000	-	10,000
Transfers to other funds	1,693,378	2,078,744	2,153,704	(74,960)
Total expenditures	5,686,287	6,071,653	6,434,272	(362,619)
Surplus (Shortfall)	\$ 75,309	\$ (310,057)	\$ (161,397)	\$ 148,660

Charter Township of Independence

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Police Millage Fund				
Revenues	\$ 2,573,400	\$ 2,573,400	\$ 2,779,202	\$ 205,802
Expenditures	3,006,961	3,006,961	3,117,945	(110,984)
Fire Millage Fund				
Revenues	4,093,300	4,093,300	4,256,765	163,465
Expenditures	3,888,907	3,888,907	3,963,895	(74,988)
Library				
Revenues	1,105,600	1,105,600	1,226,996	121,396
Expenditures	1,243,050	1,243,050	1,096,923	146,127
Parks and Recreation				
Revenues	2,376,778	2,376,778	2,353,522	(23,256)
Expenditures	2,377,778	2,377,778	2,126,393	251,385
Safety Paths Millage Fund				
Revenues	525,000	525,000	551,032	26,032
Expenditures	525,000	551,664	357,541	194,123

Charter Township of Independence

Required Supplemental Information Pension System Schedule of Funding Progress Year Ended December 31, 2003

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
<u>Fire Employees Retirement System</u>						
12/31/97	\$ 1,069,664	\$ 1,139,669	\$ 70,005	94%	\$ 559,173	13%
12/31/98	1,233,498	1,382,228	148,730	89%	619,273	24%
12/31/99	1,444,636	1,506,165	61,529	96%	732,392	8%
12/31/00	1,637,261	1,830,575	193,314	89%	790,712	24%
12/31/01	1,815,119	2,039,856	224,734	89%	832,129	27%
12/31/02	1,976,807	2,282,711	305,904	87%	1,313,162	23%

Fire Employees Retirement System

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
12/31/98	12/31/96	\$ 51,571	100.0
12/31/99	12/31/97	59,712	100.0
12/31/00	12/31/98	72,904	100.0
12/31/01	12/31/99	70,648	100.0
12/31/02	12/31/00	102,277	100.0
12/31/03	12/31/01	125,475	100.0

* The required contribution is expressed to the Township as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2002, the latest actuarial valuation, follows:

Fire Employees Retirement System

Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period (perpetual)	33 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5%
Additional projected salary increases - Seniority and merit	0.0% to 4.16%
*Includes inflation at	4.5%
Cost of living adjustments	None

Charter Township of Independence

Note to Required Supplemental Information Year Ended December 31, 2003

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except that operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)". All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Independence incurred expenditures that were in excess of the amounts budgeted in the following Major Special Revenue Funds:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Police Millage Fund - Public Safety	\$ 2,947,161	\$ 3,058,145	\$ (110,984)
Fire Millage Fund:			
Capital outlay	13,900	19,625	(5,725)
Operating transfers out	235,000	293,434	(58,434)
Parks and Recreation Fund	38,565	43,914	(5,349)

Other Supplemental Information

Charter Township of Independence

	Fire Station	Capital Projects	General Debt	Special Assessments*
		Capital Projects	Debt Service	Various*
Assets				
Cash and investments	\$ -	\$ (177,309)	\$ 4,642	\$ 895,271
Receivables - Net:				
Property taxes	-	-	-	132,453
Due from other governments	-	-	-	-
Special assessments and other	-	-	-	1,657,596
Due from other funds	-	-	-	160
Total assets	<u>\$ -</u>	<u>\$ (177,309)</u>	<u>\$ 4,642</u>	<u>\$ 2,685,480</u>
Liabilities and Fund Balances (Deficit)				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 23,688
Accrued and other liabilities	-	-	-	-
Due to other funds	-	-	-	924,417
Deferred revenue	-	-	-	1,657,545
Total liabilities	-	-	-	2,605,650
Fund Balances (Deficit)				
Reserved for:				
Debt Service	-	-	-	259,820
Cemetery Perpetual Care				
Unreserved, reported in:				
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	-	4,642	(643,341)
Capital Projects Funds	-	(177,309)	-	463,351
Total fund balances (deficit)	-	(177,309)	4,642	79,830
Total liabilities and fund balances (deficit)	<u>\$ -</u>	<u>\$ (177,309)</u>	<u>\$ 4,642</u>	<u>\$ 2,685,480</u>

* Detail by special assessment fund is reported on subsequent pages

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003**

<u>Pension Stabilization</u>	<u>Community Development Block Grant</u>	<u>Cable Television</u>	<u>Cemetery</u>	<u>Total Other Governmental Funds</u>
<u>Special Revenue</u>			<u>Permanent</u>	
\$ 146,893	\$ 16,575	\$ 86,346	\$ 365,100	\$ 1,337,518
-	-	-	-	132,453
-	22,527	-	-	22,527
-	-	-	-	1,657,596
-	-	-	68,391	68,551
<u>\$ 146,893</u>	<u>\$ 39,102</u>	<u>\$ 86,346</u>	<u>\$ 433,491</u>	<u>\$ 3,218,645</u>
\$ -	\$ -	\$ 613	\$ -	\$ 24,301
-	-	153	-	153
-	35,905	-	-	960,322
-	-	-	-	1,657,545
-	35,905	766	-	2,642,321
-	-	-	-	259,820
			433,491	433,491
146,893	3,197	85,580	-	235,670
-	-	-	-	(638,699)
-	-	-	-	286,042
<u>146,893</u>	<u>3,197</u>	<u>85,580</u>	<u>433,491</u>	<u>576,324</u>
<u>\$ 146,893</u>	<u>\$ 39,102</u>	<u>\$ 86,346</u>	<u>\$ 433,491</u>	<u>\$ 3,218,645</u>

Charter Township of Independence

	Fire Remodeling	Capital Projects	General Debt	Special Assessments*
			Debt Service	Various*
Revenue				
Federal grants	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	424,215
Interest and rentals	1,032	714	4	49,334
Other	-	9,145	-	-
Total revenue	1,032	9,859	4	473,549
Expenditures				
Current - Recreation and culture	-	-	-	-
Public works	-	-	-	8,619
Public services	-	-	-	-
Capital outlay	130,136	277,013	-	842,248
Debt service	-	-	395,208	273,604
Total expenditures	130,136	277,013	395,208	1,124,471
Excess of Revenue Over (Under)				
Expenditures	(129,104)	(267,154)	(395,204)	(650,922)
Other Financing Sources (Uses)				
Transfers in	40,180	-	398,365	429,366
Transfers out	-	(100,000)	-	-
Total other financing sources (uses)	40,180	(100,000)	398,365	429,366
Net Change in Fund Balances	(88,924)	(367,154)	3,161	(221,556)
Fund Balances (Deficit) - Beginning of year	88,924	189,845	1,481	301,386
Fund Balances (Deficit) - End of year	<u>\$ -</u>	<u>\$ (177,309)</u>	<u>\$ 4,642</u>	<u>\$ 79,830</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
In Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended December 31, 2003

Pension Stabilization	Community Development Block Grant	Cable Television	Cemetery	Total Other Governmental Funds
	Special Revenue		Permanent	
\$ -	\$ 67,501	\$ -	\$ -	\$ 67,501
-	-	-	-	424,215
2,121	563	1,854	8,457	64,079
-	-	-	26,166	35,311
2,121	68,064	1,854	34,623	591,106
-	-	29,317	-	29,317
-	-	-	-	8,619
-	64,867	-	-	64,867
-	-	-	-	1,249,397
-	-	-	-	668,812
-	64,867	29,317	-	2,021,012
2,121	3,197	(27,463)	34,623	(1,429,906)
18,254	5,349	40,000	-	931,514
-	-	-	-	(100,000)
18,254	5,349	40,000	-	831,514
20,375	8,546	12,537	34,623	(598,392)
126,518	(5,349)	73,043	398,868	1,174,716
\$ 146,893	\$ 3,197	\$ 85,580	\$ 433,491	\$ 576,324

Charter Township of Independence

	Baycourt	Bowpointe	Bowpointe	Curtis Lane	Cranberry Pointe Lights
	Capital	Capital	Debt	Capital	Capital
	Projects	Projects	Service	Projects	Projects
Assets					
Cash and investments	\$ 164,902	\$ 44,303	\$ 237,032	\$ 45,742	\$ (1,759)
Receivables - Net:					
Special assessments	-	-	27,102	45,822	2,574
Property taxes and other	-	-	6,553	5,970	280
Due from other funds	-	75	-	-	-
Total assets	<u>\$ 164,902</u>	<u>\$ 44,378</u>	<u>\$ 270,687</u>	<u>\$ 97,534</u>	<u>\$ 1,095</u>
Liabilities and Fund Balances (Deficits)					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	78,111	-
Deferred revenue	-	-	27,101	45,822	2,574
Total liabilities	-	-	27,101	123,933	2,574
Fund Balances (Deficits)					
Reserved - Debt service	-	-	243,586	-	-
Unreserved - Reported in:					
Debt Service Funds	-	-	-	-	-
Capital Projects Funds	164,902	44,378	-	(26,399)	(1,479)
Total fund balances (deficits)	<u>164,902</u>	<u>44,378</u>	<u>243,586</u>	<u>(26,399)</u>	<u>(1,479)</u>
Total liabilities and fund balances (deficits)	<u>\$ 164,902</u>	<u>\$ 44,378</u>	<u>\$ 270,687</u>	<u>\$ 97,534</u>	<u>\$ 1,095</u>

**Other Supplemental Information
Combining Balance Sheet
Special Assessment Funds
December 31, 2003**

Deerwood Manors Capital Projects	Deerwood 8 & 9 Capital Projects	Deerwood Capital Projects	Eastview/ Westview Debt Service	Flemings Lake Capital Projects	Rohr Road Debt Service	Sashabaw Road Capital Projects	Sashabaw Drain Capital Projects
\$ 16,735	\$ 12,550	\$ 3,474	\$ (1,127)	\$ 616,910	\$ 5,502	\$ -	\$ -
1,021	4,181	456	-	147,563	-	-	-
388	3,947	104	4,272	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 18,144</u>	<u>\$ 20,678</u>	<u>\$ 4,034</u>	<u>\$ 3,145</u>	<u>\$ 764,473</u>	<u>\$ 5,502</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,114
-	13,732	-	-	505,535	-	56,126	-
1,021	4,181	457	-	147,562	-	-	-
1,021	17,913	457	-	653,097	-	56,126	10,114
-	-	-	3,145	-	5,502	-	-
-	-	-	-	-	-	-	-
17,123	2,765	3,577	-	111,376	-	(56,126)	(10,114)
17,123	2,765	3,577	3,145	111,376	5,502	(56,126)	(10,114)
<u>\$ 18,144</u>	<u>\$ 20,678</u>	<u>\$ 4,034</u>	<u>\$ 3,145</u>	<u>\$ 764,473</u>	<u>\$ 5,502</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued on next page)

Charter Township of Independence

	Sashabaw Drain Debt Service	Simler Drive Capital Projects	Thendara Road Debt Service	Townsend Capital Projects
Assets				
Cash and investments	\$ (606,042)	\$ 21,051	\$ 87,143	\$ 86,031
Receivables - Net:				
Special assessments	1,233,865	29,700	50	141,176
Property taxes and other	53,858	3,588	15,041	12,243
Due from other funds	-	-	-	85
Total assets	<u>\$ 681,681</u>	<u>\$ 54,339</u>	<u>\$ 102,234</u>	<u>\$ 239,535</u>
Liabilities and Fund Balances (Deficits)				
Liabilities				
Accounts payable	\$ 10,574	\$ 3,000	\$ -	\$ -
Due to other funds	182,818	42,985	-	-
Deferred revenue	<u>1,233,864</u>	<u>29,700</u>	<u>-</u>	<u>141,177</u>
Total liabilities	1,427,256	75,685	-	141,177
Fund Balances (Deficits)				
Reserved - Debt service	-	-	-	-
Unreserved - Reported in:				
Debt Service Funds	(745,575)	-	102,234	-
Capital Projects Funds	<u>-</u>	<u>(21,346)</u>	<u>-</u>	<u>98,358</u>
Total fund balances (deficits)	<u>(745,575)</u>	<u>(21,346)</u>	<u>102,234</u>	<u>98,358</u>
Total liabilities and fund balances (deficits)	<u>\$ 681,681</u>	<u>\$ 54,339</u>	<u>\$ 102,234</u>	<u>\$ 239,535</u>

**Other Supplemental Information
Combining Balance Sheet
Special Assessment Funds (Continued)
December 31, 2003**

Woodhull	Special	Walters Lake	Total
Capital	Assessment	Board	Special
Projects	Debt	Capital	Assessments
Service	Projects		
\$ 42,463	\$ 7,587	\$ 112,774	\$ 895,271
24,086	-	-	1,657,596
4,019	-	22,190	132,453
-	-	-	160
<u>\$ 70,568</u>	<u>\$ 7,587</u>	<u>\$ 134,964</u>	<u>\$ 2,685,480</u>
\$ -	\$ -	\$ -	\$ 23,688
45,110	-	-	924,417
24,086	-	-	1,657,545
69,196	-	-	2,605,650
-	7,587	-	259,820
-	-	-	(643,341)
1,372	-	134,964	463,351
<u>1,372</u>	<u>7,587</u>	<u>134,964</u>	<u>79,830</u>
<u>\$ 70,568</u>	<u>\$ 7,587</u>	<u>\$ 134,964</u>	<u>\$ 2,685,480</u>

Charter Township of Independence

	Baycourt	Bowpointe	Bowpointe	Curtis Lane	Cranberry Pointe Lights
	Capital Projects	Capital Projects	Debt Service	Capital Projects	Capital Projects
Revenue					
Special assessments	\$ -	\$ -	\$ 4,516	\$ 21,208	\$ 857
Interest and rentals	<u>3,821</u>	<u>1,025</u>	<u>8,188</u>	<u>4,568</u>	<u>233</u>
Total revenue	3,821	1,025	12,704	25,776	1,090
Expenditures					
Public works	-	-	-	-	8,619
Capital outlay	-	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>50,450</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>50,450</u>	<u>-</u>	<u>8,619</u>
Excess of Revenue Over (Under) Expenditures	3,821	1,025	(37,746)	25,776	(7,529)
Other Financing Sources - Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	3,821	1,025	(37,746)	25,776	(7,529)
Fund Balances (Deficits) - Beginning of year	<u>161,081</u>	<u>43,353</u>	<u>281,332</u>	<u>(52,175)</u>	<u>6,050</u>
Fund Balances (Deficits) - End of year	<u><u>\$ 164,902</u></u>	<u><u>\$ 44,378</u></u>	<u><u>\$ 243,586</u></u>	<u><u>\$ (26,399)</u></u>	<u><u>\$ (1,479)</u></u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficits) - Special Assessment Funds
Year Ended December 31, 2003

Deerwood Manors Capital Projects	Deerwood 8 & 9 Capital Projects	Deerwood Capital Projects	Eastview/ Westview Debt Service	Flemings Lake Capital Projects	Rohr Road Debt Service	Sashabaw Road Capital Projects	Sashabaw Drain Capital Projects
\$ 592 377	\$ 4,180 880	\$ 265 73	\$ - 100	\$ 103,493 7,883	\$ - 172	\$ - -	\$ - -
969	5,060	338	100	111,376	172	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	10,114
-	-	-	10,383	-	3,420	-	-
-	-	-	10,383	-	3,420	-	10,114
969	5,060	338	(10,283)	111,376	(3,248)	-	(10,114)
-	-	-	-	385,366	-	-	-
969	5,060	338	(10,283)	496,742	(3,248)	-	(10,114)
16,154	(2,295)	3,239	13,428	(385,366)	8,750	(56,126)	-
<u>\$ 17,123</u>	<u>\$ 2,765</u>	<u>\$ 3,577</u>	<u>\$ 3,145</u>	<u>\$ 111,376</u>	<u>\$ 5,502</u>	<u>\$ (56,126)</u>	<u>\$ (10,114)</u>

(Continued on next page)

Charter Township of Independence

	Sashabaw Drain	Simler Drive	Thendara Road	Townsend Capital Projects
	Debt Service	Capital Projects	Debt Service	Capital Projects
Revenue				
Special assessments	\$ 86,559	\$ 4,950	\$ 27,236	\$ 23,529
Interest and rentals	-	3,057	5,219	10,813
Total revenue	86,559	8,007	32,455	34,342
Expenditures				
Public works	-	-	-	-
Capital outlay	832,134	-	-	-
Debt service	-	-	171,152	38,199
Total expenditures	832,134	-	171,152	38,199
Excess of Revenue Over (Under) Expenditures	(745,575)	8,007	(138,697)	(3,857)
Other Financing Sources - Transfers in	-	-	44,000	-
Net Change in Fund Balances	(745,575)	8,007	(94,697)	(3,857)
Fund Balances (Deficits) - Beginning of year	-	(29,353)	196,931	102,215
Fund Balances (Deficits) - End of year	<u><u>\$ (745,575)</u></u>	<u><u>\$ (21,346)</u></u>	<u><u>\$ 102,234</u></u>	<u><u>\$ 98,358</u></u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficits) - Special Assessment Funds (Continued)
Year Ended December 31, 2003

Woodhull	Special Assessment	Walters Lake Board	Total
Capital Projects	Debt Service	Capital Projects	Special Assessments
\$ 11,866	\$ -	\$ 134,964	\$ 424,215
2,750	175	-	49,334
14,616	175	134,964	473,549
-	-	-	8,619
-	-	-	842,248
-	-	-	273,604
-	-	-	1,124,471
14,616	175	134,964	(650,922)
-	-	-	429,366
14,616	175	134,964	(221,556)
(13,244)	7,412	-	301,386
<u>\$ 1,372</u>	<u>\$ 7,587</u>	<u>\$ 134,964</u>	<u>\$ 79,830</u>

Charter Township of Independence

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds December 31, 2003

	Agency Funds		
	Tax Collections	Trust and Agency	Totals
Assets			
Cash and cash equivalents	\$ 2,566,986	\$ 1,082,193	\$ 3,649,179
Delinquent taxes receivable	-	113,793	113,793
Total assets	<u><u>\$ 2,566,986</u></u>	<u><u>\$ 1,195,986</u></u>	<u><u>\$ 3,762,972</u></u>
Liabilities			
Accrued and other liabilities	\$ -	\$ 70,477	\$ 70,477
Due to other governmental units	2,566,986	-	2,566,986
Cash bonds and deposits	-	1,125,509	1,125,509
Total liabilities	<u><u>\$ 2,566,986</u></u>	<u><u>\$ 1,195,986</u></u>	<u><u>\$ 3,762,972</u></u>